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Wine Marketing Annual

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Report Highlights:
Consumption of table wines in Sweden has increased by about 10 percent since 1996, and is estimated at 14.7 liter per capita and year. The United States is now the fourth largest exporter of table wines to Sweden, worth US$ 13.2 million in 1998.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

Retail sales of wine and liquor beverages in Sweden are restricted to a government agency, Systembolaget. The Swedish government managed to retain the retail monopoly after the EU membership but had to abolish the import and production monopoly. To import and/or produce alcoholic beverages a licence issued by a government agency - The National Alcohol Board - is required, but imports are otherwise free.

One of the important conditions for retainment of the Systembolaget, was that it must be non-discriminatory in its sales policy, and must without preference promote products from all countries.

Direct advertising to the general public of alcoholic beverages is not permitted. However, weekly and bi-weekly advice on wine purchases by proficient wine writers in newspapers and magazines have become increasingly popular and important in the wine world.

Consumption of table wines has increased by about 10 percent since 1996, whereas consumption of strong liquor is slowly decreasing.

The United States has now emerged as the fourth largest exporter of table wines to Sweden after Spain, Italy and France. In 1998, the US shipped wines to Sweden worth about US$ 13.2 million, up from US$ 11.3 in 1997.

Production

Sweden is not by tradition a wine producing country. The Systembolget sales figures (see Table 1 in the Statistical Section) indicate that about 10 percent of total sales were of Swedish origin. There are some producers working with imported grape must. A couple of very small farmers have applied to grow vines for wine making as a trial crop, although the climate in Sweden is not considered to be suitable for vine growing. In addition, the Swedish government through the former Vin and Sprit monopoly owns a vineyard in southern France, Domaine Rabiega. Some of its wines are sold on the Swedish market, and is likely registered as "Swedish" wine.

Shown in the PSD are imports over the last three years. The USA has become an important supplier to Sweden, and its position could easily be expanded with more sustained marketing efforts and sales aimed at the growing young consumer market which is characterized by high levels of environmental consciousness and health awareness. Frequent requests for ecological (organic production techniques) wines are received by our office. However, price is also a significant purchasing decision factor.

Consumption

Consumption of table wines is now estimated at around 14.7 liters per capita per year, a slight increase over 1997. See Table 2 in the Statistical Section. Hard liquor consumption is steadily decreasing, in 1998 estimated at 2.7 liters per capita. However, the consumption estimate of hard liquor is based on Systembolagets sales figures. Total consumption of hard liquor is conceivable much higher. Swedes traveling abroad enjoy duty free sales on ferries and at airports, illicit home distilling is wide spread, and bootlegging is extensive. All because of the very high prices on hard liquor.   A recent investigation by the Brewers association in cooperation with Systembolaget, indicates that as much as 25 percent of alcohol consumption is covered by home distilling and bootlegging.

Systembolaget's sales for 1998 at SEK 19,200 million (US$2,415 million) up is 0.6 percent compared to 1998. Volume wise sales of hard liquor declined by 4.3 percent compared to 1997, whereas wine sales increased by 2.3 percent. As explained above, the sales have declined whereas consumption of hard liquor probably remains about the same, and wine consumption has increased through restaurant sales and private travelers' imports. See also Table 3 in the Statistical Section.

Red wines now account for 52.7 percent of total sales, and whites for 33.7 percent, the remaining include champagne, sparkling, rose wine and mulled, cider and wine coolers.

Regarding retail price preferences, see Table 4 in the Statistical Section.

Historically, vodka, has been the major alcohol beverage - Sweden is part of the world "Vodka belt" - sales of which are now noticeably smaller compared to wines and beers. The young consumers meet over a glass of wine or beer, or an increasingly preference for bottled soft drinks.

Trade

After many years of dominating the Swedish wine market, France has had to step back in favor of Spain. Spain now covers about 35 percent of the table wine market followed by Italy and France. The U.S. is gaining market shares, and now cover approximately 5 percent of imported table wines. There are now approximately 90 U.S. labels on the Systembolaget list including wines from California, Oregon, Washington and New York states. Competitors from outside Europe are Chile, Australia and especially South Africa, who is improving production techniques and maintaining low prices. South African wines are very competitive presently on this market.

Policy

Ever since Sweden joined the EU on January 1, 1995, an ongoing debate has been underway as to whether the Systembolaget sales monopoly should also be abolished. Before the EU membership, all imports, production and sales of alcoholic beverages were handled by the two monopolies, V&S and Systembolaget. The Swedish government managed to retain the retail monopoly after the membership but had to abolish the import and production monopoly. To import alcoholic beverages a licence issued by a government agency is required, but imports are otherwise free. For details on the licensing procedure see SW4028.

Before entering the market, imported wines are tested by the Systembolaget according to EU directives. Each shipment should also be accompanied by a certification document in accordance with EU regulations. Post receives from time to time requests for documentation of testing procedures which are in compliance with the rest of the EU.

Customs duties are the same as in the rest of the EU, i.e. 13.7 ecu per 100 liters on table wines, and 15.4 ecu per 100 liters on fortified wines, or wines with an alcohol content between 13 to 15 percent.

Marketing

Direct advertising to the general public of alcoholic beverages is not allowed in Sweden. Increasingly popular are wine writers weekly or bi-weekly columns on wines including Systembolaget's twice monthly tests of "new products", which they then write about in their newspapers or magazines.

Another means of advertising is Systembolaget's monthly news magazine, and listing of new wines on the shelves, with detailed information about the wine and region or area of origin. This information is stored in a data base and available for all wines listed in the Systembolaget official price list, which is updated about six-seven times a year. In the last update, November/December 1999, 82 different wines were listed from the United States.

The Systembolaget list can be accessed through its Internet homepage
www.systembolaget.se
E-mail:information@systembolaget.se.

Prices on table wines have remained remarkably stable. The taxation rates are based on alcohol content, which favors table wines and beers over hard liquor. The cheapest wines now retail at SEK 34-39. There has been a noticeable change in consumption of medium-priced wines which would indicate that quality consciousness of the consumers is increasing. The bulk of the sales have moved from wines in the SEK 34-40 bracket to the 50-65 SEK bracket. Wines priced over 65 SEK account for 20 percent of the sales, and wines over SEK 100 account for only 1-2 percent of total sales. Retail pricing through the Systembolaget is uniform throughout Sweden, whereas restaurants and bars are free to set their own prices. See table 4.

There is a potentially strong growth market for quality wine producers in Sweden. With the dissolution of the import monopoly, hotels, restaurants and caterers can import directly. The continuation of the retail monopoly and the prohibition of advertising still make retail sales more difficult to develop. However, it is now possible to add a wine to the Systembolaget assortment with less red tape. On the other hand, the supplier/agent will have to bear the full costs and risks of a market failure. All in all, the market is much more open and competitive.

About 10 percent of red wines sold during 1998 were sold in tetra- pacs and about 7 percent in bag-in-box packages. Of the white wines, 13 percent in tetra-pac and 6 percent in bag-in-box. To illustrate the popularity of the bag-in-box and tetra-pac wines, Table 6 in the Statistical Section below shows the most sold wines in 1998 with a 1997 comparison, where two new wines in bag-in-box top the list for 1998 as well as in 1997.

Sweden is a member of OIV - Office International de la Vigne et du Vin. There are also a couple of Swedish wine and liquor organizations which market interested exporters should contact for further information and details of the Swedish system:

SFSV - Svenska Forbundet for Sprit- och Vinintressenter, and
Representatives in Sweden of Foreign Wine and Liquor
Producers
UVOS
P.O. Box 5512
S-114 85 Stockholm, Sweden
Tel: (46-8)666 11 00, FAX: (46-8)662 65 48
Attention: Mr. Roland Nordlund

Updated lists of licensed importers and wholesalers are also available from FAS/Stockholm.

Several wine and liquor exhibits are held in the Scandinavian area. The next major event in Sweden will be the Vinordic in Stockholm planned for September 2000.

The California Wine Institute and to some extent the New York Wine & Grape Foundation are active on this market with MAP funds.

There are several active wine societies promoting wines among their members, arranging wine courses, tastings, travel, and generally working for better drinking habits. The most notable is Munskankarna, which was formed 40 years ago. It has more than 10,000 members and works through sub-sections all around Sweden. Another prominent wine society is Stockholms Vinsallskap active around the Stockholm area. In addition, there are a number of small, private wine clubs. Importers also arrange small tastings and FAS/S has been assisting with a number of these tastings during the year. These smaller tasting are usually targeted at groups of restaurant managers, or wine writers and publishers.

Competitor activities include participation in the above mentioned wine exhibits. The major wine exporting countries, such as Spain, Italy and France hold annual wine days in Stockholm. Third country wine producing countries such as Australia, South Africa and Chile through their wine board attends most wine exhibits in Scandinavia and annually holds a one-day wine exhibit at one of the major hotels in Stockholm. Germany has its own promotional office in Stockholm and arranges each year in the spring - German days, which is spread over 3-4 days and includes the participation of more than 60 German wineries. In short, most major wine producing countries through their embassies work hard at promoting their products in this market, which as a new member to the EU has significant growth potential. Its proximity to Russia and the Baltic countries also make it a potential springboard for those markets.

Average Rates of Exchange used in this report:

USD 1.00	1996	SEK 6.70
	1997	SEK 7.64

1998 SEK 7.95

STATISTICAL INFORMATION

PSD Table - Table Wines (HTS Code 2204)

PSD Table						
Country	Sweden					
Commodity	Wine				(1000 MT)(1000 HL)	
	Revised	1997	Preliminary	1998	Forecast	1999
	Old	New	Old	New	Old	New
Market Year Begin		01/1997		01/1998		01/1999
TOTAL Grape Crush	0	0	0	0	0	0
Begin Stock (Ctrl App)	0	0	0	0	0	0
Begin Stock (Other)	0	0	0	0	0	0
TOTAL Beginning Stocks	0	0	0	0	0	0
Prod. from Wine Grapes	0	0	0	0	0	0
Prod. from Tabl Grapes	0	0	0	0	0	0
TOTAL PRODUCTION	0	0	0	0	0	0
Intra-EU Imports	72399	77500	75000	86586	0	82000
Other Imports	32058	31666	35000	27353	0	33000
TOTAL Imports	104457	109166	110000	113939	0	115000
TOTAL SUPPLY	104457	109166	110000	113939	0	115000
Intra-EU Exports	150	1239	100	879		500
Other Exports	750	513	300	1171	0	2000
TOTAL Exports	900	1752	400	2050	0	2500
Dom.Consump(Cntrl App)	0	0	0	0	0	0
Dom.Consump(Other)	103557	107414	109600	111889	0	112500
TOTAL Dom.Consumption	103557	107414	109600	111889	0	112500
End Stocks (Cntrl App)	0	0	0	0	0	0
End Stocks (Other)	0	0	0	0	0	0
TOTAL Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	104457	109166	110000	113939	0	115000

Import Matrix - Table Wines

Import Trade Matrix			
Country	Sweden		
Commodity	Wine		
Time period	CY	Units:	1,000 liters
Imports for:	1997		1998
U.S.	5838	U.S.	5228
Others	103,328	Others	108711
Spain	34440		40456
Italy	15828		16377
France	14216		15527
Germany	9896		11278
Chile	5473		4333
Australia	4023		3259
Portugal	2771		2948
South Africa	3196		2817
Hungary	2025		1867
Argentina	814		1298
Total for Others	92682		0
Others not Listed	10646		108711
Grand Total	109166		113939

Export Matrix - Table Wines

Export Trade Matrix			
Country	Sweden		
Commodity	Wine		
Time period	CY	Units:	1,000 liters
Exports for:	1997		1998
U.S.		U.S.	
Others	1752	Others	2050
Norway	163		637
Estonia	77		363
United Kingdom	755		331
Finland	325		166
Denmark	159		382
Russia	17		21
Lithuania	5		9
Total for Others	1501		0
Others not Listed	251		2050
Grand Total	1752		2050

Average Import Price - Table Wines

Prices Table			
Country	Sweden		
Commodity	Wine		
Prices in	SEK	per	Liter
Year	1997	1998	% Change
Dec	17.8	18.04	1.35%
Exchange Rate	SEK 7.95	Local currency/US $	USD 1.00

Table 1. Sales of Wines by Systembolaget (less 15 percent alcohol content), 1,000 liters by the Leading Exporting Countries, 1996 - 1998:

Country	1996	1997	1998
Spain	29,902	27,277	30,637
Italy	12,082	15,533	14,826
France	9,525	11,525	13,262
Germany	9,785	8,700	8,299
USA	5,651	5,909	5,089
Chile	4,962	5,208	4,692
Australia	6,334	5,031	3,829
Sweden	5,005	4,629	3,063
Bulgaria	2,963	2,749	3,022
South Africa	2,297	2,748	3,086
Portugal	2,059	1,860	3,371
Hungary	1,230	1,103	1,661
Austria	806	755	500
Greece	819	653	595
Romania	1,230	1,103	848
Argentina	425	607	1,050
Cyprus	442	366	376
New Zealand	442	366	430
Macedonia	132	194	210
Other	571	398	476
TOTAL	97,932	98,465	99,322

Note: These are Systembolaget's sales, not included are wines for restaurants or duty free markets.
Source: Systembolaget

Table 2. Consumption - Liter/Capita

Year	Liquor	Wine	Strong Beer	Soft Drinks
1995	3.4	12.6	21.8	58.2
1996	3.1	13.3	20.6	58.1
1997	2.8	14.5	21.8	65.4
1998	2.7	14.7	21.9	76.4

Source: Swedish Board of Agriculture - Report 1999:13

Table 3. Total Wine Sales in Sweden, 1,000 liters

Year	Alcohol content <15%	Alcohol content >15%
1998	123,664	6,237
1997	121,400	6,600
1996	111,762	6,578
1995	104,827	6,283
1994	107,263	7,504
1993	102,177	7,962

Table 4. Wine Sales by price levels in 1998

Price level SEK	Red	White
Less than 40	0.5%	3.2%
41-50	25.3%	46.7%
51-60	39.0%	30.5%
61-70	23.7%	15.4%
71-80	6.8%	2.2%
81-100	3.1%	1.3%
Over 100	1.5%	0.7%
Total	100%	100%

Source: Systembolaget

Table 5. The Swedish alcohol tax on wines based on alcohol percent by volume at January 1, 1999.

Alcohol Content	Tax
Not more than 2.25%	SEK 0.00
2.25% but not 4.5%	SEK 9.34
4.5% but not 7%	SEK 13.80
7% but not 8.5%	SEK 18.98
8.5% but not 15%	SEK 27.20
15% but not 18%	SEK 45.17
Liquor containing more than 22 percent alcohol by volume	SEK 501.41 per liter alcohol

Table 6. Top Ten Wine sales in 1998

1998	1997	Name of Wine	Country	Type of Wine	Million Liters
1	2	Akesson Terra dell'Oro Bianc	Italy	White	2.6
2	1	Akesson Terra dell'Oro Rosso	Italy	Red	2.0
3	New	Castillo de Gredos Tinto	Spain	Red	1.1
4	4	Spanish Country Wine	Spain	Red	1.1
5	22	Akesson Tinto de Espana	Spain	Red	1.0
6	43	Amfora Reina Isabel	Spain	Red	1.0
7	3	California White	California	White	0.9
8	142	Vina Herminia	Spain	Red	0.9
9	5	Guntrum Riesling	Germany	White	0.9
10	14	Prins Oliver	France	White	0.9